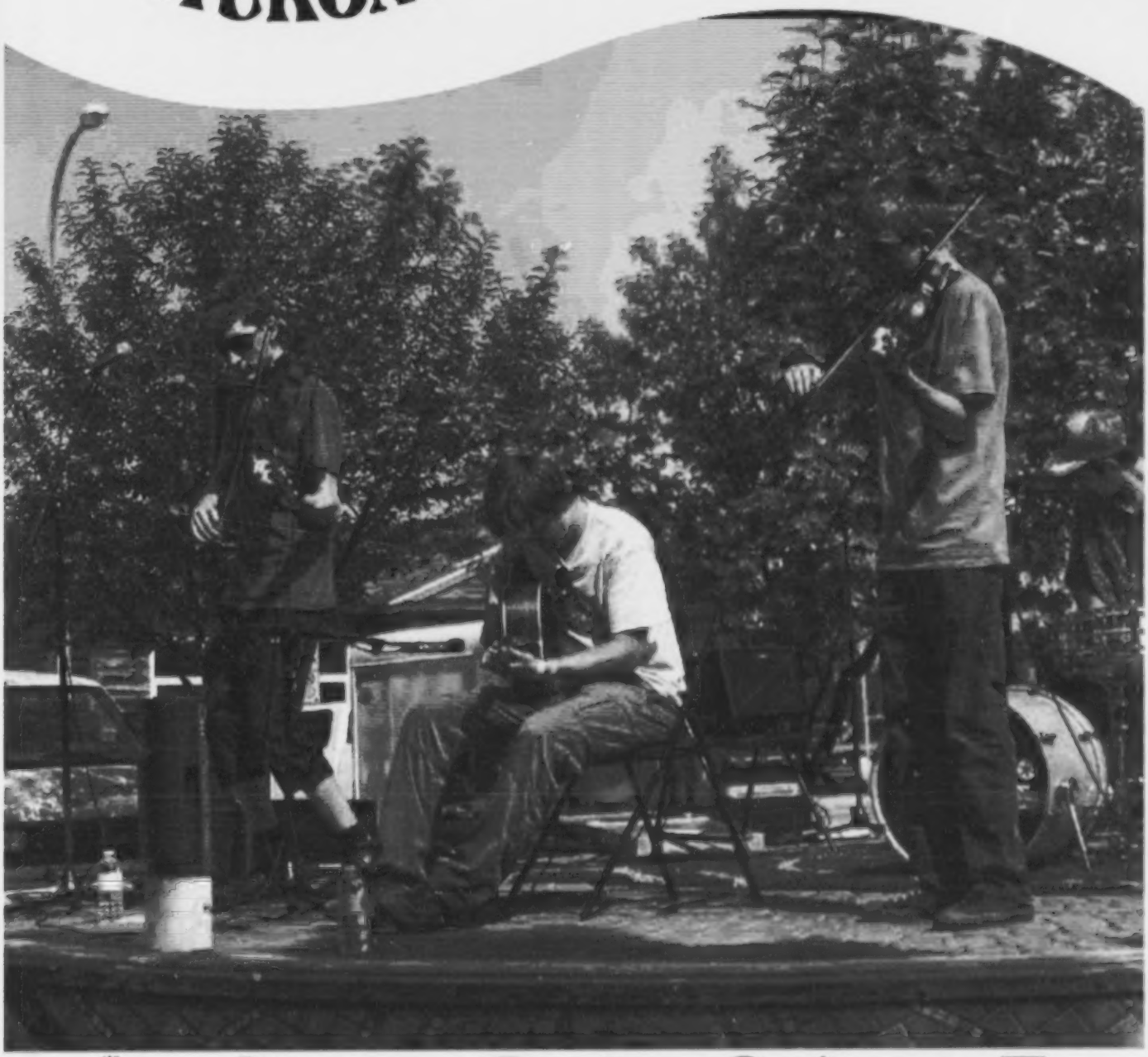
LOTTERIES YUKON

YUKON LOTTERY COMMISSION

ANNUAL REPORT • 2010–2011



Cover Photo: Arts in the Park

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LOTTERIES YUKON

The Honourable Scott Kent
Minister Responsible for Yukon Lottery Commission
Government of Yukon

November, 2011

Dear Honorable Scott Kent,

I have the honour to present you with the Annual Report of the Yukon Lottery Commission for the fiscal year ended March 31, 2011.

Respectfully submitted,

Connie Reimer
Chair
Yukon Lottery Commission

Message from the Yukon Lottery Commission

I am pleased to share with you the 2010/11 Annual Report of the Yukon Lottery Commission.

The Yukon Lottery Commission is created and mandated under the *Public Lotteries Act* and *Regulations*. A key responsibility of the Commission is the allocation of profits from the sale of lottery tickets. Oversight for public lotteries in Yukon is provided by both the Commission and the Western Canada Lottery Corporation.

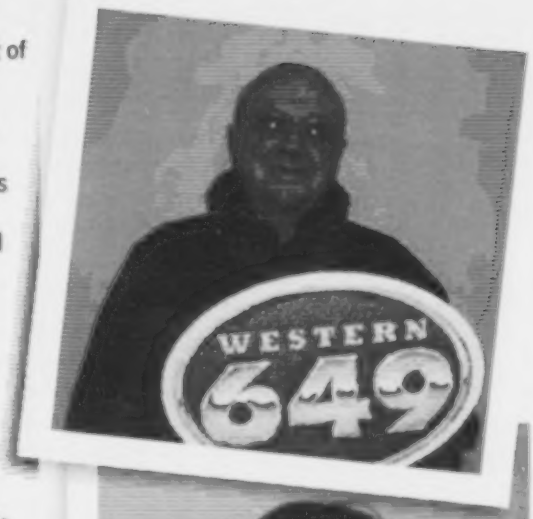
Lottery profits are allocated by the Commission for art, sport and recreation projects and activities, and for the operations of Lotteries Yukon. In addition to these programs, Yukon Government receives 48% of lottery revenues for distribution by the Sport and Recreation Branch and Cultural Services Branch. Whether directly through Commission programs or through our partners, we are very proud of the support the Commission is able to provide to art, sport and recreation in Yukon communities.

In carrying out its role, the Commission is committed to ensuring Yukon people are provided with a high standard of service and integrity in all aspects of the public lotteries. We strive to ensure public lotteries are appropriately conducted and that all Yukon communities benefit from the investment of lottery revenues in sport, art and recreation.

I would like to thank the members of the Commission and the Lotteries Yukon staff for their contributions over the past fiscal year.

Connie Reimer

Connie Reimer, Chair



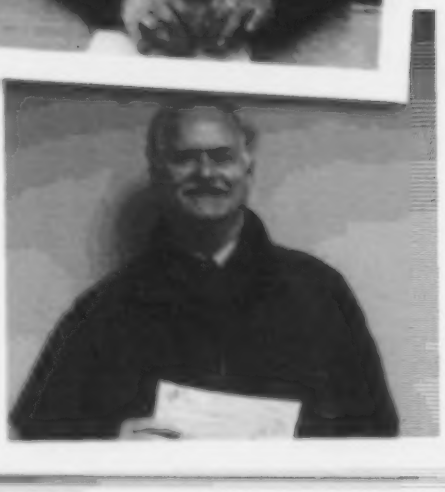
Operations Report

In the 2010/11 fiscal year a top priority for Lotteries Yukon was improving our organizational performance. A review of the Yukon Lottery Commission and Lotteries Yukon governance structure was completed paving the way for work on a number of governance initiatives in the next fiscal year. Governance initiatives planned in the new year include improving decision making processes, updating programs, developing board policy and process, as well as work on governance agreements including a new agreement with Western Canada Lottery Corporation, a Governance Agreement between the Yukon Lottery Commission and Yukon Government and a new Retailer Agreement.

In the fall of 2010 we moved to our new location at 101-205 Hawkins Street. This location is still centrally located in the downtown core providing accessibility to our lottery retailers, customers and program applicants. We now have space for retailer training, Commission meetings, and a warehouse. We look forward to serving you from this location for many years to come.

Sales

Record sales were achieved in Yukon through several on-line games with sales up by nearly 22% over the previous fiscal year. The big lotto category showed remarkable growth in 2010/11 and soared to all time highs on the strength of Lotto Max. In only its second year of existence, Lotto Max became the flagship lotto brand in Yukon, outselling Lotto 6/49 by approximately 95%. Lotto Max achieved these impressive results through a series of record breaking jackpots in June 2010, with jackpots reaching $50 million plus 45 and 49 MaxMillions on successive draws. Overall, there were 16 MaxMillions draws in the fiscal year. This favourably compares to the previous fiscal year, when only two MaxMillions draws were experienced in a 5.5 month period. In total Lotto Max sold $2.7 million in 2010/11, compared to $1.2 million for Lotto Max and Super 7 combined in 2009/10. ScratchNWin sales were also up with sales of $2.7 million compared to $2.3 million in 2010, an 18% increase.



[1] Gross sales were $7,795,515 for 2008/09 and $7,368,976 for 2009/10.

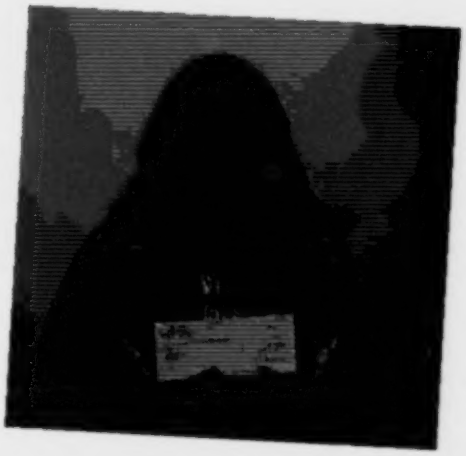
Yukon Sales by Game — Five Year Comparison

License Retailer's	2010/11 35	2009/10 35	2008/09 32	2007/08 34	2006/07 37
LottoMax[1]	$2,699,255	$813,710	-	-	-
Super 7[1]	-	366,696	$734,352	$666,782	$892,276
Instant	2,732,881	2,322,127	2,400,731	2,564,412	2,657,640
Lotto 649	1,222,754	1,571,124	1,756,706	1,617,294	1,492,356
Keno	760,222	900,838	1,419,944	1,875,562	1,993,373
Extra	719,433	616,597	630,254	602,863	620,643
Sport Select[2]	428,266	416,406	431,794	382,308	388,240
Western 649	274,022	280,823	271,019	265,783	279,193
Pick 3	41,058	43,273	44,278	43,464	51,626
Millionaire Life	40,860	-	69,765	95,140	114,710
Pay Day	25,612	37,382	36,672	75,144	-
Total On-Line	**$8,944,363**	**$7,368,976**	**$7,795,515**	**$8,188,752**	**$8,490,057**

[1] Super 7 was replaced with LottoMax in September 2009
[2] POOLS and PROPS launched September 2010

POOLS
ratch Win

Yukon Lottery Commission Funding Programs



The Yukon Lottery Commission's legislated mandate provides for community based programming focused on art, sport and recreation. Lotteries Yukon delivers three different funding programs that are intended to:

- increase participation of Yukon people in sport, art and recreation;
- improve/provide more community art, sport and recreation infrastructure;
- increase organizational and community capacity for art, sport and recreation;
- develop sport, recreation and the arts; and,
- by supporting art, sport and recreation contribute to an improved quality of life for all Yukon people.

The following provides a brief description of the three Lotteries Yukon funding programs and the investments made in each program for the 2010/11 fiscal year. More detailed information identifying the amount of funding, program, community and recipient organization is provided on pages 8–11 of this report.

Recreational Projects Program

The Recreational Projects Program is application driven and provides non profit groups with funding to support art, sport and recreation projects or special events and activities. Applications are accepted twice a year; April 15 and October 15. In 2010/11 $914,686 was allocated to projects, special events or activities under the Recreational Projects Program.

Travel Assistance Program

The Travel Assistance Program provides assistance to non-profit groups and extra-curricular high school groups attending competitions or adjudicated events. The Travel Assistance Program is very popular providing over 1,300 participants with $249,478 in funding assistance in 2010/11. This program supports the development of amateur art, sport and recreation for Yukon people of all ages.

Community Lottery Program

The Community Lottery Program provides municipalities and local authorities with funding to support art, sport and recreation in their communities. Each community receives a base amount of $8,000 plus $12.00 per capita for populations up to 5,000 and $3.25 per capita for populations over 5,000. The intent of the program is to enable local decision making to meet community needs and create equitable access to lottery revenues for all Yukon people. In 2010/11 the Community Lottery Program provided $392,709 to municipalities and local authorities.

Yukon Lottery Commission Funding Programs
2010/2011 Approved Funding

COMMUNITY	ORGANIZATION	PROGRAM	AMOUNT
Beaver Creek	Beaver Creek Community Club	CLP	9,248
	Beaver Creek Community Club	RPP	16,000
			25,248
Burwash Landing	Burwash Landing Recreation Committee	CLP	**9,248**
Carcross	Carcross Recreation Committee	CLP	**13,172**
Carmacks	Village of Carmacks	CLP	**13,820**
Dawson City	City of Dawson	CLP	30,572
	Dawson City Community Radio Society	RPP	2,000
	Dawson City Minor Hockey	RPP	8,800
	Dawson City Music Festival	RPP	7,746
	Dawson City Oldtimer Hockey Association	TAP	6,549
	Dawson Ski Association	RPP	83,294
	North Klondyke Highway Music Society	RPP	3,000
	Robert Service School	TAP	3,353
			145,314
Destruction Bay	Kluane Lake Athletic Association	CLP	**8,564**
Faro	Town of Faro	CLP	**12,680**
Haines Junction	Village of Haines Junction	CLP	17,828
	Junction Arts and Music Society	RPP	76,323
			94,151
Keno	Keno Community Club	CLP	**8,264**
Lorne Mountain	Lorne Mountain Community Association	CLP	12,440
	Lorne Mountain Community Association	RPP	2,041
			14,481
Marsh Lake	Marsh Lake Community Society	CLP	**13,484**
Mayo	Village of Mayo	CLP	**13,520**
Old Crow	Vuntut Gwitchin First Nation	CLP	**10,796**
Pelly Crossing	Selkirk First Nation	CLP	**11,864**
Ross River	Ross River Recreation Society	CLP	**12,224**
Tagish	Tagish Community Association	CLP	**10,940**

Continues on following page.

NOTE: CLP = Community Lottery Program, TAP = Travel Assistance Program, RPP = Recreational Projects Program

Yukon Lottery Commission Funding Programs
2010/2011 Approved Funding

COMMUNITY	ORGANIZATION	PROGRAM	AMOUNT
Teslin	Village of Teslin	CLP	13,568
	Teslin Recreation Society	RPP	13,850
			27,418
Upper Liard	Liard First Nation	CLP	**10,160**
Watson Lake	Town of Watson Lake	CLP	24,236
	Watson Lake Ski Club	RPP	3,821
			28,057
Whitehorse	City of Whitehorse	CLP	136,081
	4-H Yukon Spirit Riders	RPP	1,250
	Arctic Edge Skating Club	TAP	4,400
	Arctic Edge Skating Club	RPP	23,110
	Boreal Adventure Running Association	RPP	2,676
	Canadian Ski Patrol System-Yukon Zone	TAP	600
	Dog Powered Sports Association of Yukon	RPP	4,962
	FH Collins Secondary School	TAP	6,042
	Freedom Trails Therapeutic Riding Association	RPP	1,363
	Golden Age Society	RPP	4,886
	Klondike Highland Dance	RPP	997
	Mountain View Golf Club	TAP	200
	Mountain View Golf Club	RPP	40,000
	Polarettes and Polar Tumblers Gymnastics Club	TAP	800
	Polarettes and Polar Tumblers Gymnastics Club	RPP	10,242
	Porter Creek Secondary School	TAP	7,905
	Senior Metro Soccer League	TAP	4,400
	Society of Yukon Bird Observatories	RPP	1,400
	Vanier Band Parents Association	TAP	5,600
	Vanier Catholic Secondary School	TAP	6,400
	Whitehorse Cross Country Ski Club	TAP	1,500
	Whitehorse Cross Country Ski Club	RPP	37,250
	Whitehorse Curling Club	TAP	800
	Whitehorse Glacier Bears Swim Club	TAP	14,627
	Whitehorse Minor Hockey Association	TAP	16,600
	Whitehorse Oldtimers Hockey League	TAP	3,769
	Youth Bowling Council	TAP	1,400
	Yukon Broomball Association	TAP	4,000
	Yukon Broomball Association	RPP	3,488
	Yukon Dance Festival Society	TAP	1,000
	Yukon Horse and Rider Association	RPP	5,900
	Yukon Kennel Club	RPP	6,358
	Yukon Sourdough Rendezvous Society	RPP	8,112
			368,118

Continues on following page.

NOTE: CLP = Community Lottery Program, TAP = Travel Assistance Program, RPP = Recreational Projects Program

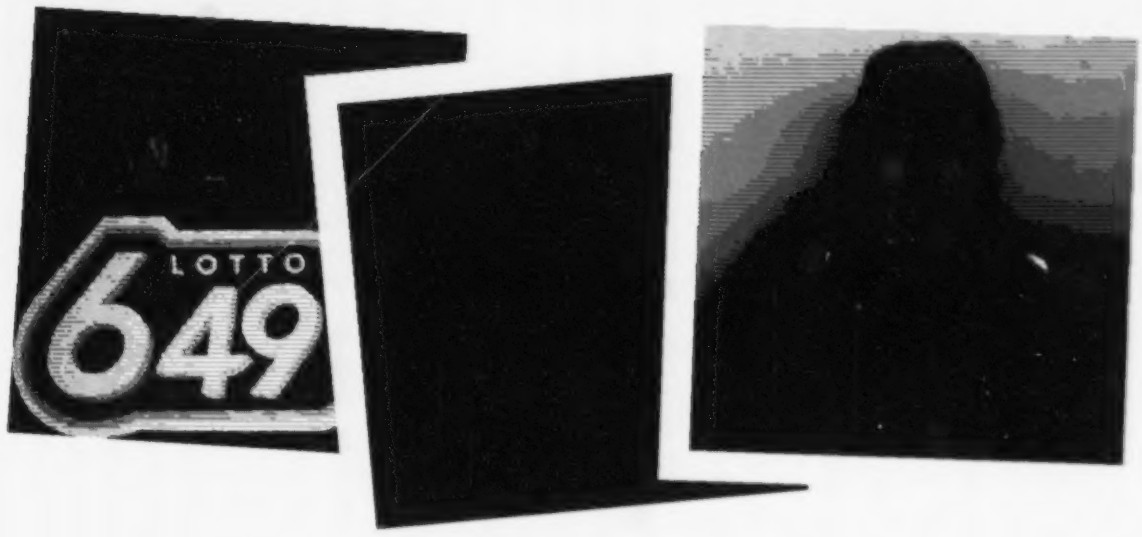
Yukon Lottery Commission Community Programs
2010/2011 Approved Funding

COMMUNITY	ORGANIZATION	PROGRAM	AMOUNT
Yukon	All-City Band Society	TAP	23,000
	Athletics Yukon	TAP	14,400
	Basketball Yukon	TAP	1,044
	Biathlon Yukon	TAP	1,600
	Biathlon Yukon	RPP	16,200
	Blue Feather Music Society	RPP	4,000
	Community Choir of Whitehorse	TAP	4,400
	Cross Country Yukon	RPP	12,200
	Girl Guides of Canada	TAP	2,200
	Great Northern Ski Society	RPP	75,000
	Guild Society	RPP	23,000
	Jazz Yukon	RPP	15,250
	Learning Disabilities Association of Yukon	RPP	10,000
	Music Yukon	RPP	10,000
	Nakai Theatre	RPP	13,800
	Northern Lights School of Dance	RPP	7,518
	Senior Metro Soccer League	RPP	4,500
	Snowboard Yukon	TAP	1,200
	Sport Yukon	TAP	3,000
	Sport Yukon	RPP	49,660
	Squash Yukon	TAP	2,200
	Suzuki Strings Association Yukon	RPP	6,000
	Table Tennis Yukon	TAP	2,878
	Teegatha'Oh Zheh	RPP	2,150
	Tennis Yukon	TAP	906
	Tennis Yukon	RPP	5,000
	Volleyball Yukon	TAP	23,600
	Whitehorse 2012 AWG Host Society	RPP	200,000
	Yukon Aboriginal Sport Circle	TAP	3,000
	Yukon Amateur Hockey Association	TAP	13,200
	Yukon Amateur Speed Skating	TAP	4,000
	Yukon Art Society	TAP	1,200
	Yukon Art Society	RPP	4,147
	Yukon Arts Centre Corporation	RPP	16,000
	Yukon Badminton Association	TAP	1,974
	Yukon Bluegrass Music Society	RPP	8,500
	Yukon Curling Association	TAP	6,600
	Yukon Curling Association	RPP	1,223
	Yukon Film Society	RPP	8,000
	Yukon Freestyle Ski Association	TAP	2,600
	Yukon Indian Hockey Association	TAP	2,156
	Yukon Orienteering Association	RPP	1,669
	Yukon Shooting Federation	TAP	400
	Yukon Soccer Association	TAP	43,976
			$653,351

NOTE: CLP = Community Lottery Program, TAP = Travel Assistance Program, RPP = Recreational Projects Program

Yukon Lottery Commission Funding Programs
2010/2011 Approved Funding

TOTAL CONTRIBUTIONS TO COMMUNITIES/APPLICANTS	**$1,504,874**
Recreational Projects Program Sponsorship	**$52,000**
Total YLC Administered Contributions	**$1,556,874**
YUKON GOVERNMENT ALLOCATION	
Cultural Services Branch	
Yukon Arts Advisory Committee (YAAC)	
Total Cultural Services Branch	**$292,016**
Sport & Recreation Branch	
Yukon Sport & Recreation Advisory Committee (YRAC)	
Total Sport & Recreation Branch	**$476,448**
Total Funds Released to Yukon Government -YRAC and YAAC	**768 ,464**
Total Funding Approved/Released	**$2,325,338**
Unclaimed Contributions	**$93,185**
Total Contributions/Funds Released 2010/2011	**$2,232,153**



Revenue Allocated to the Yukon Government

Lottery revenues supplement Yukon government funding for art, sport and recreation; funding is provided to the Yukon Recreational Advisory Committee and the Yukon Arts Advisory Council. In 2010/11 the Yukon Lottery Commission provided the Yukon Recreation Advisory Committee with $476,447 and the Yukon Arts Advisory Council with $292,016.

Lottery Revenue for the Arts

Lottery revenues to the Yukon Government for arts are provided for under the *Public Lottery Regulations* and the *Arts Act*. Programs are administered by the department of Tourism and Culture with the Yukon Arts Advisory Council making recommendations on funding applications to the minister of Tourism and Culture. Lottery revenue is used to support the Arts Operating Fund and the Advanced Artist Award.

Lottery Revenue for Sport and Recreation

Lottery revenues to the Yukon government for sport and recreation are provided for under the *Public Lottery Regulations* and the *Recreation Act*. Programs are administered by the department of Community Services, Sport and Recreation Branch. The Yukon Recreation Advisory Committee makes recommendations on funding applications to the minister of Community Services. Lottery revenues contribute to funding programs for sport governing bodies, recreation groups, high performance athletes and officials, and Sport Yukon.

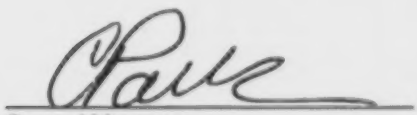
Management Responsibility Statement

The accompanying financial statements are the responsibility of management. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and are considered by management to present fairly the financial position and results of operations.

Management is also responsible for implementing and maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that financial records are properly maintained to provide reliable information for the preparation of financial statements.

Management is responsible for ensuring that it fulfills its responsibilities for financial reporting and internal control. The financial statements have been reviewed and approved by management.

MacKay LLP, an independent firm of Chartered Accountants, has been engaged to examine the financial statements in accordance with Canadian generally accepted auditing standards. Their report, stating the scope of their examination and opinion on the financial statements, follows.



General Manager

CHARTERED ACCOUNTANTS

mackay.ca

MacKay LLP

Independent Auditors' Report

To the Members of the Yukon Lottery Commission

We have audited the accompanying financial statements of Yukon Lottery Commission, which comprise of the balance sheet as at March 31, 2011 and the statements of revenue and expenditures and comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of Yukon Lottery Commission for the year ended March 31, 2011 are prepared, in all material respects, in accordance with Canadian generally accepted accounting principles.

MacKay LLP

October 15, 2011
Whitehorse, Yukon

Chartered Accountants

mackay.ca refers to the Canadian firm MacKay LLP

Yukon Lottery Commission

Statement of Revenue and Expenditures and Comprehensive Income

For the year ended March 31, 2011	2011	2010
Revenue		
Commissions - Western Canada Lottery Corporation	$ 2,799,538	$ 2,215,684
Break-open tickets (schedule 1)	41,931	79,398
Interest	24,163	20,366
Terminals	8,330	7,865
Gain (loss) on disposal	(2,418)	
	2,871,544	2,323,313
Administration expenses		
Advertising and promotion	18,424	19,551
Amortization	13,435	2,012
Computer supplies and support	2,715	2,732
Insurance	1,569	1,543
Leased equipment	3,897	4,206
Miscellaneous	257	1,664
Office supplies	8,047	12,055
Postage and freight	7,562	7,223
Professional fees	23,059	9,569
Rent	60,371	43,107
Retail	847	3,752
Telephone	6,667	5,638
Travel and training	10,972	5,499
Wages and benefits	347,760	402,617
	505,582	521,168
Commission meeting and program expenditures		
Directors' honoraria, travel and meetings	25,398	38,083
Retailer incentive	16,057	15,334
Sponsorship program	-	22,568
	41,455	75,985
Total expenses	**547,037**	597,153
Excess of revenue over expenditures before transfer payments	**2,324,507**	1,726,160
Transfer payments		
Recreational Projects Program		
Recreational Projects	266,809	222,907
Major Projects	595,877	499,738
Sponsorship	52,000	15,000
Travel Assistance Program	249,478	189,727
Community Lottery Program	392,709	391,848
Unclaimed funds	(93,185)	(107,249)
Yukon Government - YRAC/YAAC (note 8)	768,464	591,304
Total transfer payments	**2,232,152**	1,803,275
Excess of revenue over expenditures being comprehensive income	**$ 92,355**	$ (77,115)

Yukon Lottery Commission

Statement of Changes in Net Assets

For the year ended March 31, 2011

			Internally Restricted Net Assets		
	Unrestricted Net Assets	Invested in Capital Assets	Restricted for Working Capital	Restricted for Contingencies	Restricted for Major Projects
Balance, beginning of year	$ 246,628	$ 15,100	$ 100,000	$ 448,785	$ 395,336
Excess (deficiency) of revenue over expenditures (note 6)	847,971	(17,337)	-	-	(583,050)
Investment in Capital Assets (note 6)	(113,037)	113,037	-	-	-
Transfers from Restricted	-	-	-	-	200,000
Transfers to Restricted	(839,843)	-	-	117,623	566,406
Balance, end of year	$ 141,719	$ 110,800	$ 100,000	$ 566,408	$ 578,692

	Internally Restricted Net Assets			**2011**	**2010**
	Restricted for Travel	Restricted for Breakopen	Restricted for Future Application Transfer Payments	Total	Total
Balance, beginning of year	$ 94,186	$ -	$ 218,399	**$1,518,434**	$1,595,549
Excess (deficiency) of revenue over expenditures (note 6)	(198,643)	43,414	-	**92,355**	169,835
Investment in Capital Assets (note 6)	-	-	-	-	-
Transfers from Restricted	-	-	(200,000)	-	-
Transfers to Restricted	155,814	(43,414)	43,414	-	-
Balance, end of year	$ 51,357	$ -	$ 61,813	**$1,610,789**	$1,765,384

Yukon Lottery Commission

Balance Sheet

As at March 31, 2011	**2011**	2010
Assets		
Current		
Cash (note 2)	$ 376	$ 1,254
Funds held in trust (note 2 & 3)	2,946,040	2,751,469
Accounts receivable	444,004	375,599
Inventory	13,667	9,551
Prepaid expenses	7,101	7,757
	3,411,188	**3,145,630**
Capital assets (note 5)	**110,800**	15,099
	$3,521,988	$3,160,729
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 149,055	$ 130,970
Committed transfer payments	1,762,144	1,511,325
	1,911,199	1,642,295
Commitments (note 7)		
Net Assets		
Unrestricted	**141,719**	246,628
Net assets invested in capital assets	**110,800**	15,100
Internally restricted		
Net assets restricted for working capital	**100,000**	100,000
Net assets restricted for contingencies	**566,408**	448,785
Net assets restricted for major projects	**578,692**	395,336
Net assets restricted for travel	**51,357**	94,186
Net assets restricted for future transfer payments	**61,813**	218,399
	1,610,789	1,518,434
	$3,521,988	$3,160,729

Approved by the Commission

Connie Reiser, Chair

B. Payne, Member

Yukon Lottery Commission

Statement of Cash Flows

For the year ended March 31, 2011	2011	2010
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditures	$ 92,355	$ (77,115)
Item not affecting cash		
Amortization	14,918	2,220
Loss on disposal of assets	2,418	-
Changes in non-cash operating capital		
Accounts receivable	(68,405)	68,906
Prepaid expenses	656	5,297
Inventory	(4,116)	(3,529)
Accounts payable and accrued liabilities	18,085	(20,326)
Committed transfer payments	250,819	(53,186)
	306,730	77,733
Investing activities		
Purchase of capital assets	(113,037)	(8,830)
Increase (decrease) in cash	**193,693**	(86,563)
Cash, beginning of year	**2,752,723**	2,839,286
Cash, end of year	**$2,946,416**	$ 2,752,723
Represented by:		
Cash	$ 376	$ 1,254
Funds held in trust	2,946,040	2,751,469
	$2,946,416	$ 2,752,723

Yukon Lottery Commission

Notes to Financial Statements

March 31, 2011

1. Significant Accounting Policies

The Yukon Lottery Commission ("Commission") was created under the provisions of the Public Lotteries Act of the Yukon and is responsible for the conduct and management of public lotteries in the Yukon, including the distribution and administration of funds received from government sanctioned lotteries. The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

(a) Capital assets

Capital assets are recorded at original cost less accumulated amortization. Amortization is calculated by the declining balance method over the estimated useful life of the capital assets at the rates set out in note 5.

(b) Inventory

The inventory of promotional items is valued at the lower of cost and replacement cost.

(c) Transfer Payments

Transfer payments are treated as expenditures at the time the transfer payments are approved by the Commission. All unpaid, but approved transfer payments, are included as committed transfer payments. Approved transfer payments which are not claimed within the required time frame are reversed as unclaimed transfer payments.

(d) Financial instruments

Financial assets and financial liabilities are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial asset or liability has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities.

Available-for-sale assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as held-for-trading, held-to-maturity, or loans and receivables. Available-for-sale assets are subsequently measured at fair value with unrealized gains and losses recorded in other comprehensive income until realized, at which time they will be recognized in net income. Cash and funds held in trust have been classified as available-for-sale.

Accounts receivable are classified as loans and receivables. Accounts payable and committed grants are classified as other financial liabilities. Loans and receivables and other financial liabilities and are measured at amortized cost.

(e) Restricted net assets

Restricted net assets are created when designated as restricted by the Commission. The restricted net assets represent segregation of funds by the Commission for certain specified expenditures. Such funds may be supplement by a transfer from general operating funds.

(f) Measurement of uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from those estimates.

(g) Revenue recognition

Lottery commissions are recognized when the lottery tickets are sold by Western Canada Lottery Corporation. Investment income is recognized in the period earned.

(h) Future change in accounting policies

In January 2006, the CICA Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for Government Business Enterprises are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The impact of the transition to IFRS on the Commission's financial statements has not yet been determined.

(i) Pensions

The employees of the Commission are deemed to be employees of the Yukon Government. Both the Commission and its employees make contributions to the Public Service Superannuation Plan administered by the Government of Canada. The Commission is only liable for current contributions that are expensed in the accounts on a current basis.

2. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and funds held in trust.

3. Funds Held in Trust

All general funds of the Commission are held in trust for the Commission by the Yukon Government. The account is interest bearing based on a pooled investment portfolio. Most deposits and expenditures are processed through this account which is subject to the provisions of the Financial Administration Act of the Yukon Government.

4. Restricted Net Assets

The Commission has internally restricted net assets of $1,469,070 (2010 - $1,256,706) to provide for contingencies, an even level of funding, travel, future major projects, and future transfer payments. These internally restricted amounts are not available for other purposes without approval of the Commission.

5. Capitals Assets

	Rate	Cost	Accumulated Amortization	**2011** Net book Value	2010 Net book Value
Furniture and equipment	20%	$ 49,845	$ 6,893	$ 42,952	$ 4,465
Break-open machines	20%	29,258	29,121	137	196
Computer hardware	30%	55,087	47,781	7,306	10,438
Computer software	100%	1,644	1,644	-	-
Leasehold improvements		66,543	6,138	60,405	-
		$ 202,377	$ 91,577	**$ 110,800**	$ 15,099

6. Allocation of Excess of Revenue Over Expenditures

The excess of revenue over expenditures is allocated to net assets according to the source of the revenue or expenditure as shown below.

	Unrestricted	Capital Assets	Major Projects	Travel	Break-open
Excess of revenue over expenditures	$ 1,514,113	$ -	$ -	$ -	$ 41,931
Transfer payments allocated	(659,518)	-	(595,877)	(249,478)	-
Amortization	13,435	(14,918)	-	-	1,483
Loss on disposition	2,418	(2,418)	-	-	-
Sponsorships	(52,000)	-	-	-	-
Unclaimed funds	29,523	-	12,827	50,835	-
	$ 847,971	**$(17,336)**	**$(583,050)**	**$(198,643)**	**$ 43,414**

7. Commitments

The Commission has a lease for office space until August 31, 2013 which requires future minimum lease payments as follows:

2012	$79,654
2013	$79,654
2014	$33,189

The commission has commitments to sponsorhsip transfer payments totaling $37,000 to the following organizations:

Kluane Chilkat Bike Relay Association	$10,000 for 2011/2012
Yukon Music Camp Society	$12,000 for 2011/2012
Yukon Quest	$15,000 for 2011/2012

The Commission has been named as a party to a lawsut related to Scratch 'n Win lottery tickets. The matter is ongoing and any liability related to this claim is not determinable at this time.

8. Committed to Yukon Government

	2011	2010
Excess of revenue over expenditures before transfer payments	$ 2,324,507	$ 1,726,160
Add: Loss on disposition of capital assets	2,418	-
Less: Break-open revenues	(41,931)	(79,398)
	2,284,994	1,646,762
Change in Contingency Reserve (prior year less current year)	(117,623)	33,905
Transfer to Major Projects (20% of revenue excluding breakopens)	(566,406)	(448,783)
Total available for transfer payments	1,600,965	1,231,884
Less: Available for Yukon Lottery Commission (52%)	(832,502)	(640,580)
Available for Yukon Government allocation	**$ 768,463**	$ 591,304
Available for Yukon Recreation Advisory Committee (62%)	$ 476,447	$ 366,608
Available for Yukon Arts Advisory Council (38%)	292,016	224,696
Total allocated to Yukon Government	**$ 768,463**	$ 591,304

9. Capital Management

The Commission considers its net assets to represent the Commission's capital. The Commission manages its capital in such a manner that there is sufficient working capital available to ensure the Commission is able to continue its operations without suffering cash shortfalls, and has sufficient funds to provide transfer payments to eligible recipients and funding to the Yukon Government for sport, recreation and arts. The Commission does not have any externally imposed capital requirements.

10. Related Party Transactions

During the year the Yukon Government provided employee services to the Commission of $347,760 (2010 - $402,617).

11. Financial instruments

Financial assets consist of cash, funds held in trust and accounts receivable. Financial liabilities consist of accounts payable and committed transfer payments.

The Commission is exposed to the following risks in respect of certain financial instruments held;

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Commission is exposed to credit risk through its accounts receivable from Western Canada Lottery Corporation in respect of commissions.

The maximum exposure to credit risk is the carrying value of its accounts receivable.

(b) Liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty meeting obligations associated with its financial liabilities. The Commission's accounts payable and committed transfer payments are all due within one year.

(c) Interest rate risk

The Commission is exposed to the interest rate risk on its fund held in trust. A Change in the effective interest rate of 1/2% on its funds held in trust would result in an approximate impact on income of $15,000 in 2011.

(d) Fair value

The Commission's financial instruments include cash, funds held in trust, accounts receivable, accounts payable, and committed transfer payments. The fair values approximate their carrying value due to the immediate or short-term maturity of these instruments. The Commission classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(i) quoted prices in active markets for identical assets or liabilities (Level 1) which includes cash and funds held in trust;

(ii) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (level 3) which includes accounts receivable, accounts payable and accrued liabilities, and committed transfer payments.

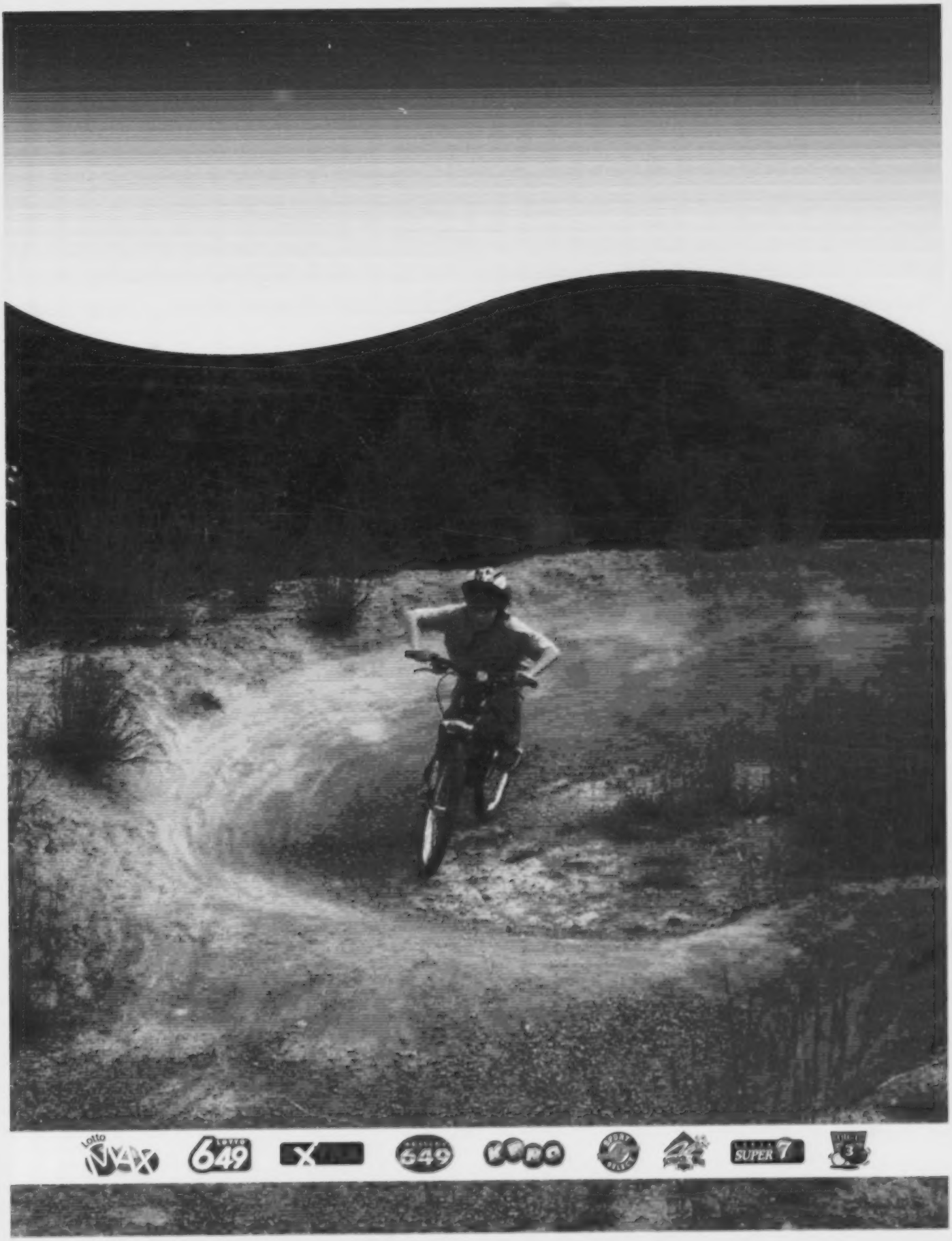
12. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.

Yukon Lottery Commission

Schedule 1 — Break-open Tickets

For the year ended March 31, 2011	2011	2010
Revenue		
Commission - Break-open tickets	**$ 101,797**	$ 143,762
Expenditures		
Advertising and promotion	2,042	2,108
Amortization	1,483	208
Computer	301	295
Directors' honoraria, travel and meetings	2816	4,105
Insurance	174	166
Leased equipment	432	453
Miscellaneous	31	179
Office supplies	892	1,299
Postage and freight	838	779
Professional fees	2,556	1,031
Rent	6,693	4,646
Retailer incentive	1,874	2,064
Sponsorship	-	2,433
Telephone	739	608
Training	813	24
Travel	403	569
Wages and benefits	37,779	43,397
	59,866	64,364
Excess of revenue over expenditures	**$ 41,931**	$ 79,398


Lotto MAX
LOTTO 6/49
LOTTO 649
KENO
SUPER 7